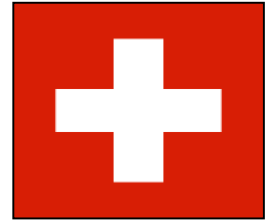


S M P • P S L

*Schweizer Milchproduzenten
Producteurs Suisses de Lait
Produttori Svizzeri di Latte
Producents Svizzers da Latg*



Phasing out of milk quota: The role of Swissmilk in the process

3th october 2017, CH-Tänikon

Stephan Hagenbuch, Swiss Milk Producer's Association

Agenda

- ◆ Which were the main challenges for dairy farmers to manage the phasing out?
- ◆ How did Swissmilk support the farmers in the adaptation process?
- ◆ What were the conclusions of this process?
- ◆ Discussions?
- ◆ More: www.swissmilk.ch



S M P • P S L

*Schweizer Milchproduzenten
Producteurs Suisses de Lait
Produttori Svizzeri di Latte
Producents Svizzers da Latg*

Switzerland's Dairy Market

Switzerland's Dairy Market 2016



575,000 Dairy cows
21,000 Milk producers

Production:
4. mill. t of milk

Processing:
3.4 mill. t of milk

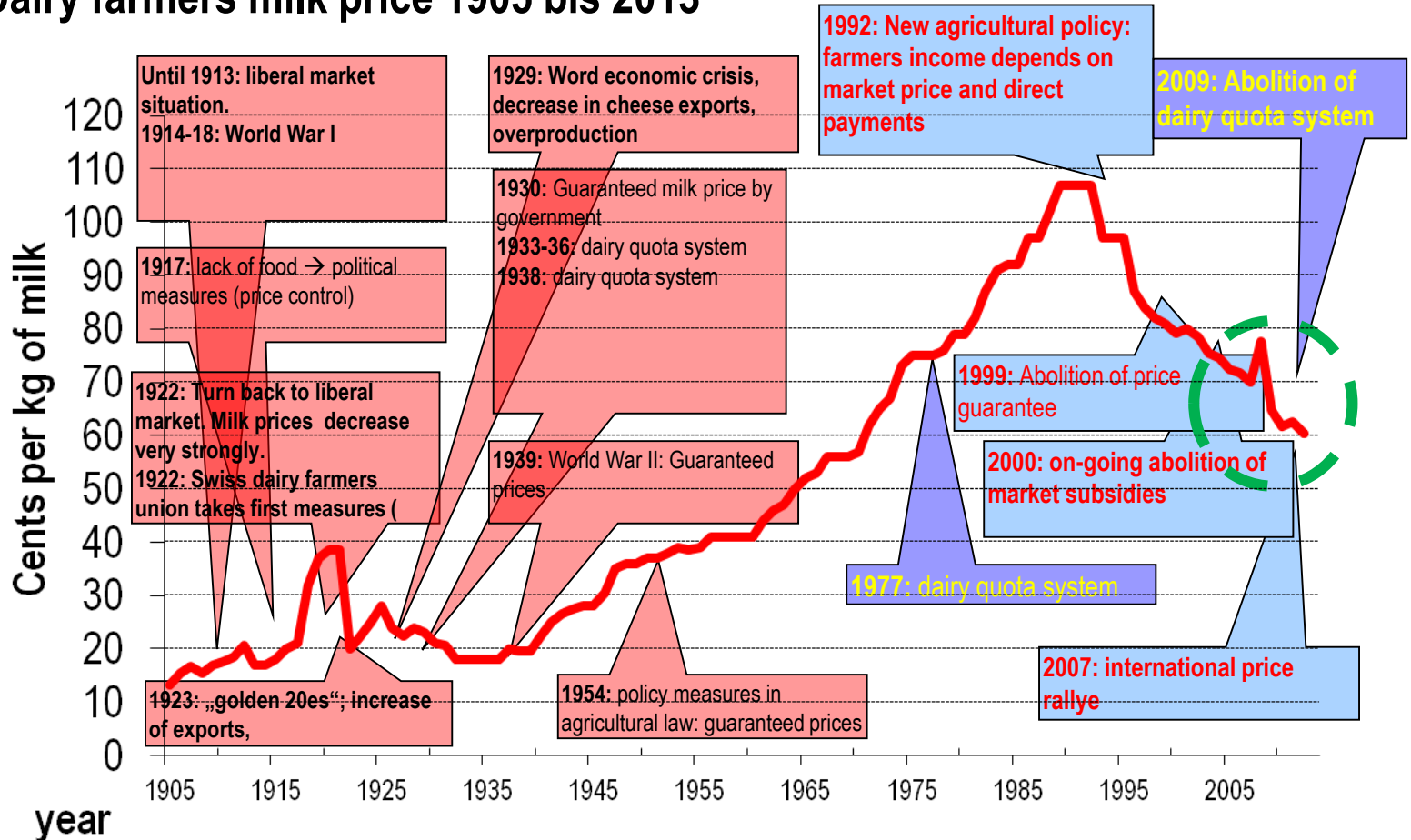
Feeding milk: 0.51 mill. t

Household milk: 0.04mill. t



Farmers milk price: Review (SMP)

Dairy farmers milk price 1905 bis 2013



Border protection and market access (Switzerland – EU)

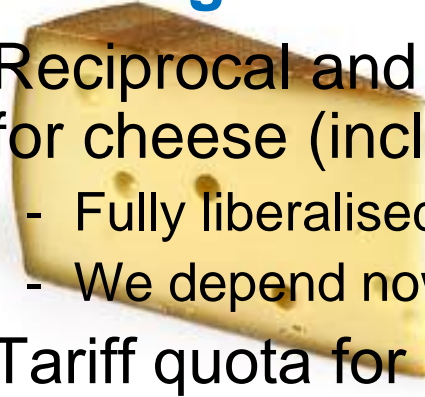
◆ Cheese agreement EU-CH (bilateral agreement I):

- Reciprocal and gradually eliminate customs duties for cheese (incl. cottage cheese):
 - Fully liberalised: july 2007
 - We depend now from EU-border protection for cheese
- Tariff quota for cream and yoghourt (2'000 t)

◆ Agreement for processed agricultural products EU-CH (bilateral agreement II / „chocolate law“):

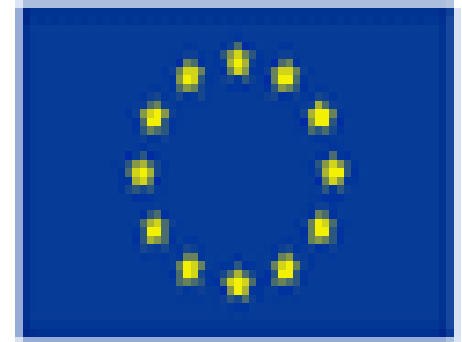
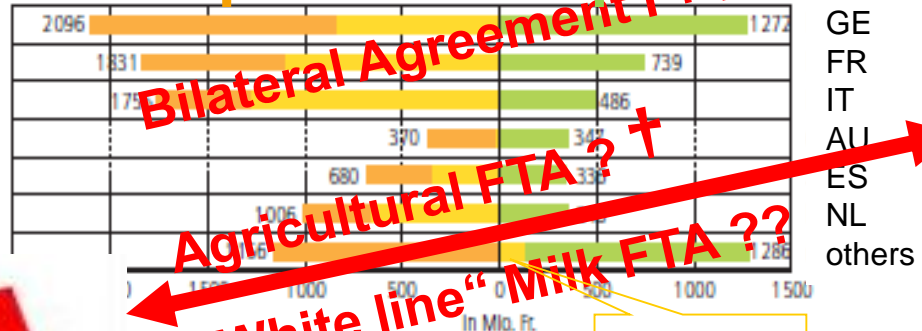
- Net price compensation
- New access for yoghourt, „semi-butter“, milk beverages etc.

◆ No change in border protection for milk, butter, SMP, WMP



Trade Agreements and Agricultural trade relations

<-Importation Exportation->



Bilateral Agreement

Agricultural FTA

„White line“ Milk FTA

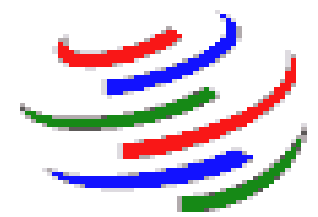
Surplus

Other FTA (for ex. China etc.)



Dauha Rounde

WORLD TRADE ORGANIZATION

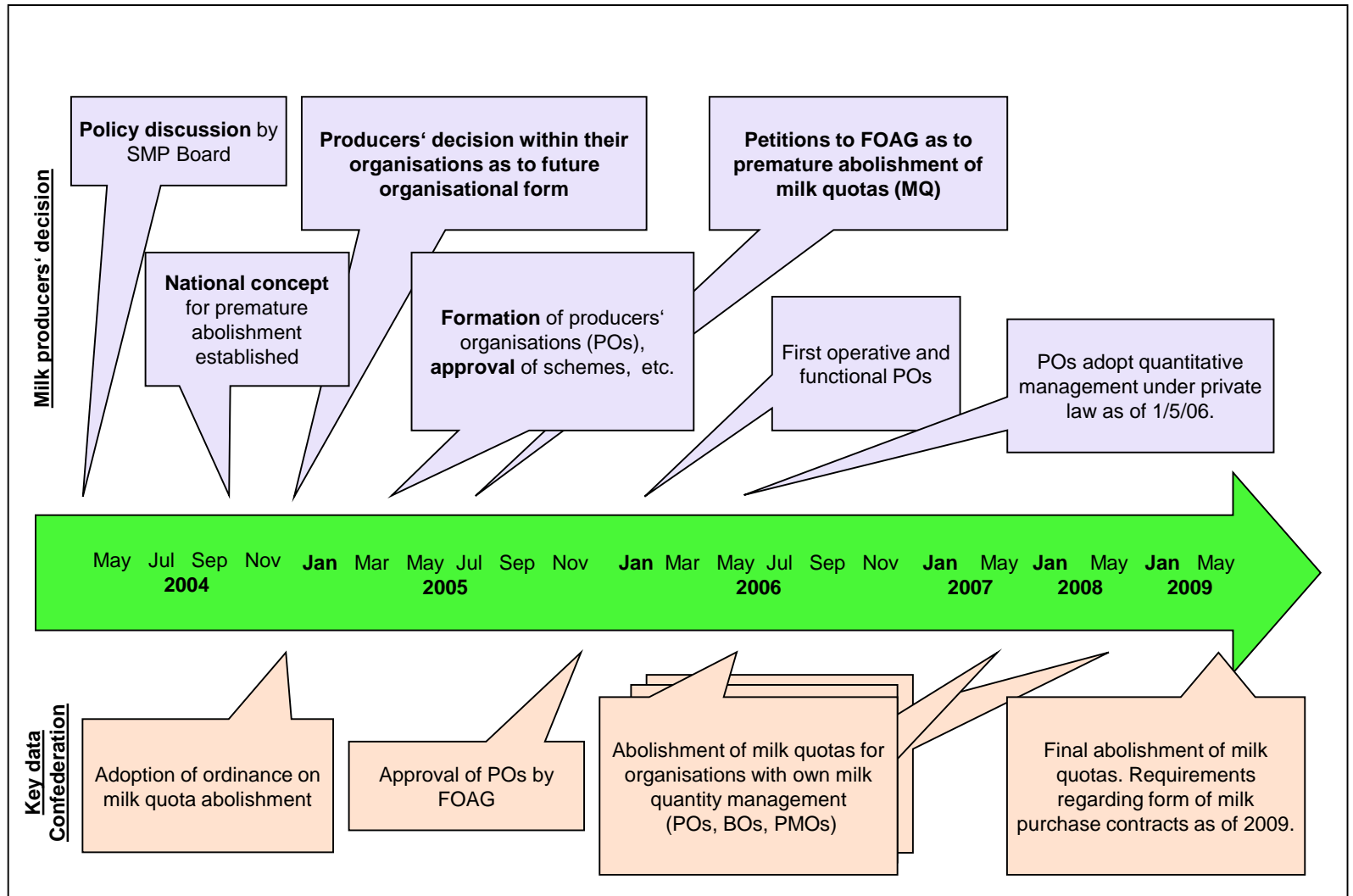


S M P • P S L

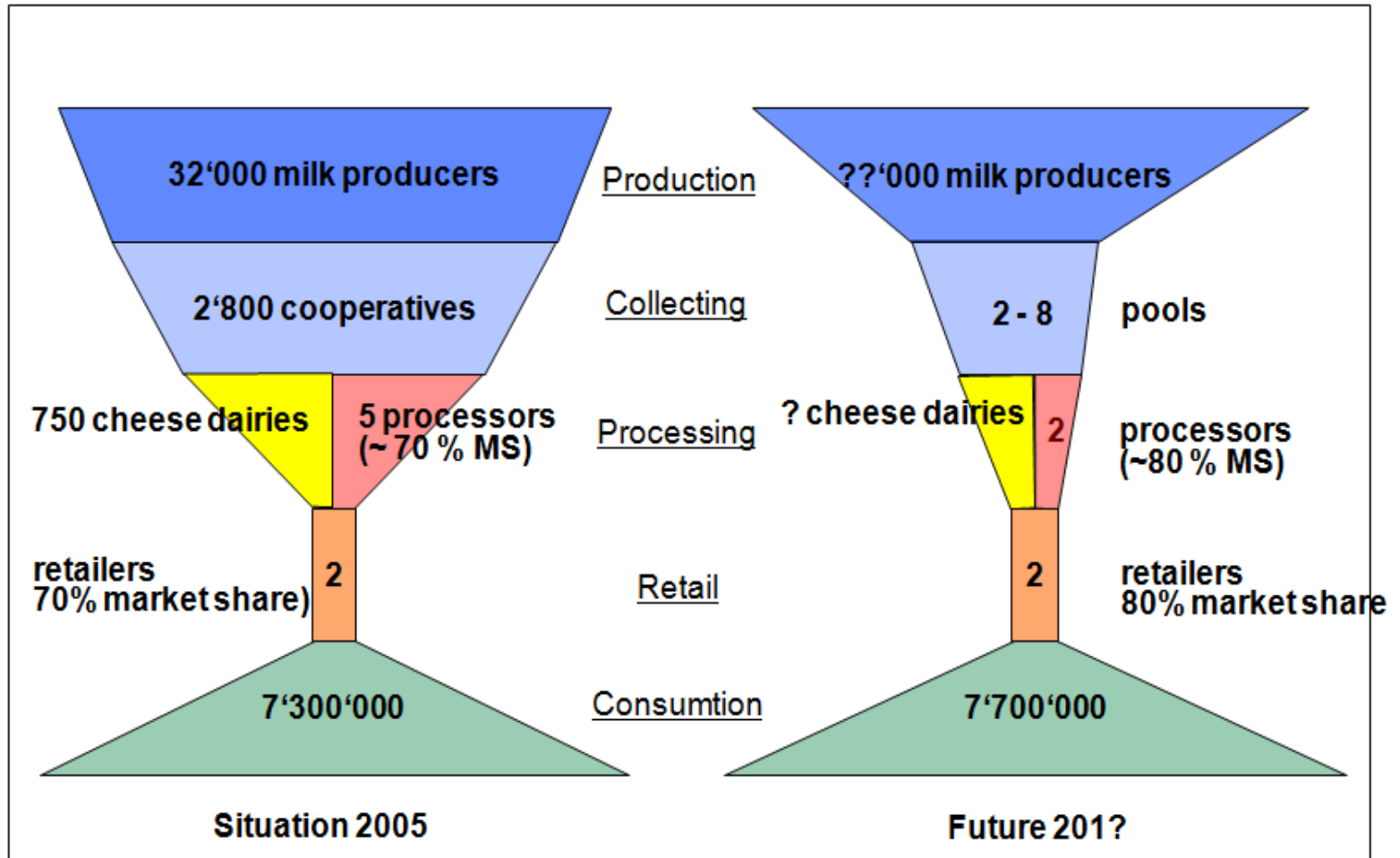
*Schweizer Milchproduzenten
Producteurs Suisses de Lait
Produttori Svizzeri di Latte
Producents Svizzers da Latg*

Roadmap and targets

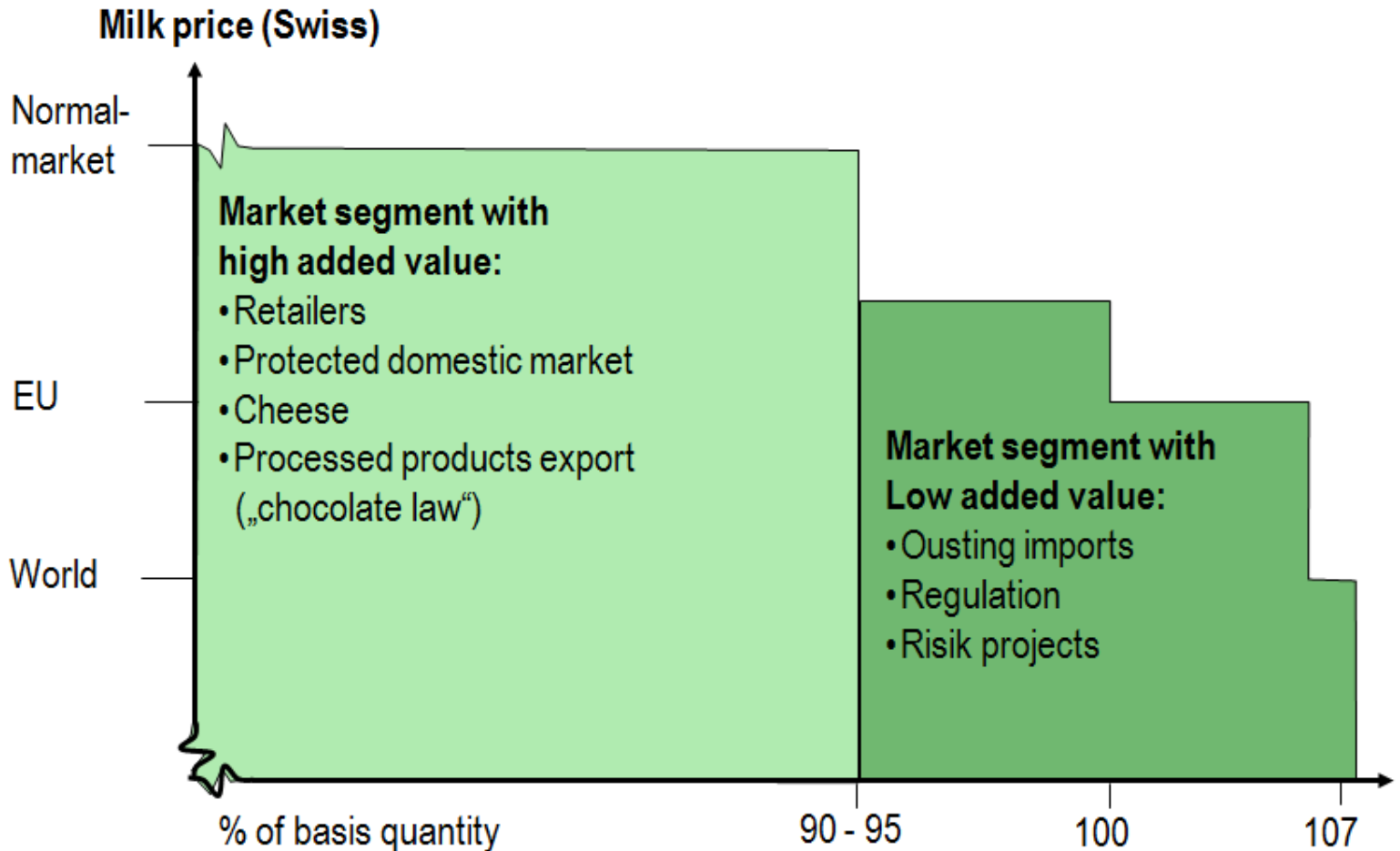
Roadmap to Quota Abolishment



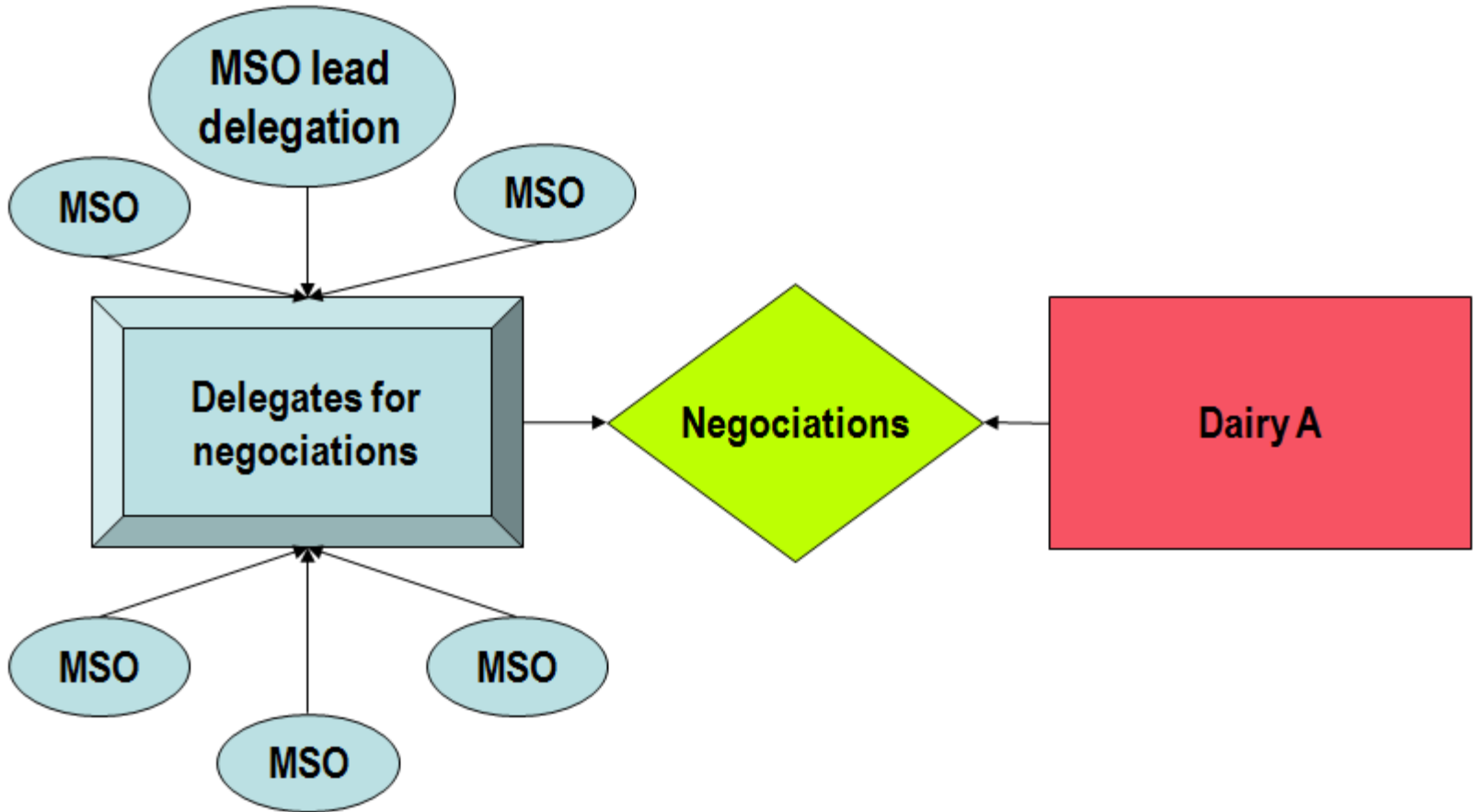
Targets in 2005 (I): Market concentration



Targets in 2005 (II): Segmentation



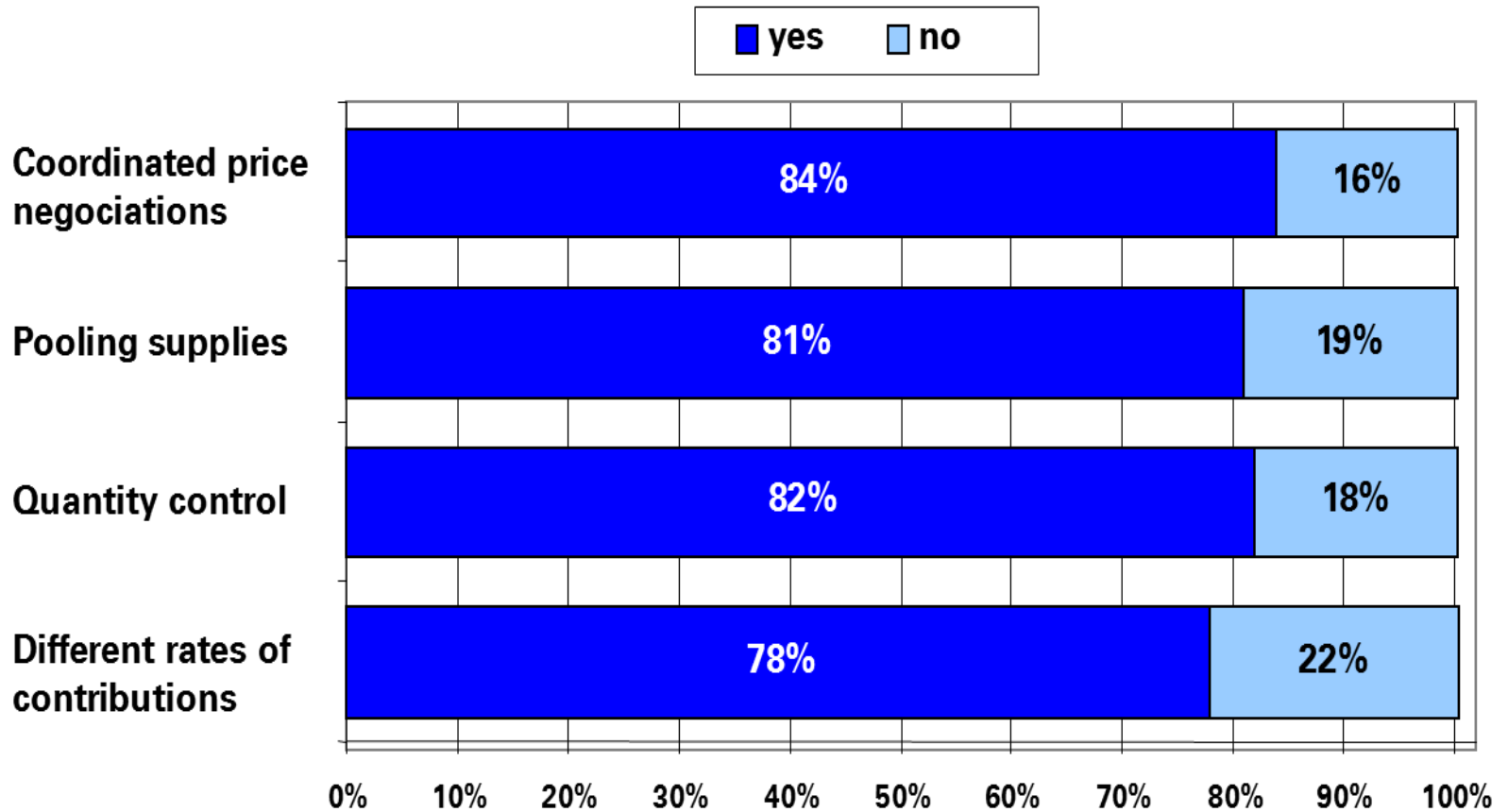
Targets in 2005 (III): Market power / **One** delegation



Targets in 2005 (IV): Added value / Marketing



Farmer's advisory vote: July 08



Source: SMP, advisory vote 2008

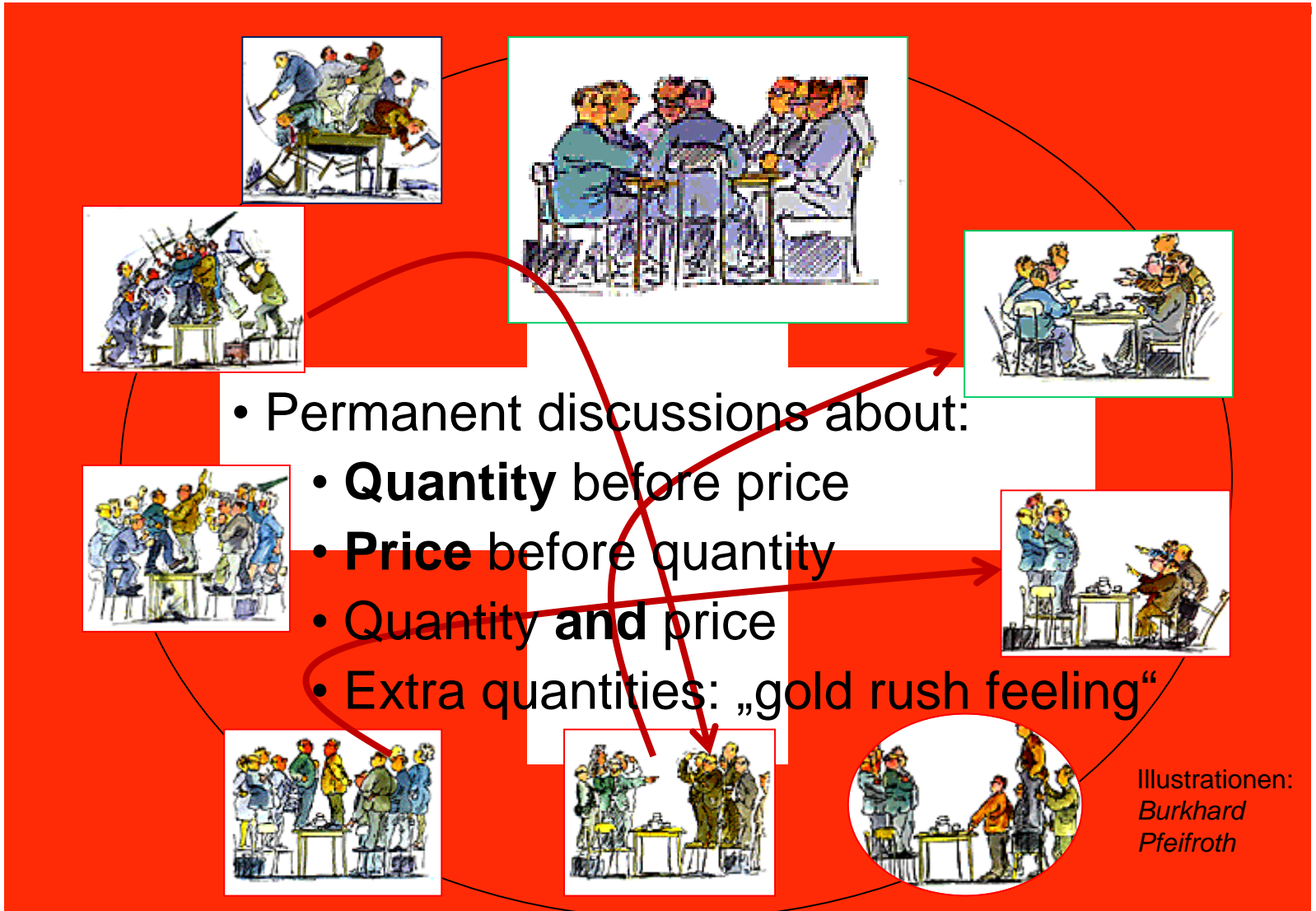


S M P • P S L

*Schweizer Milchproduzenten
Producteurs Suisses de Lait
Produttori Svizzeri di Latte
Producents Svizzers da Latg*

Reality

The way to „resolve“ conflicts.....is not easy: Why?



Illustrationen:
Burkhard
Pfeifroth



Different strategies and interests!

(**producers**, **processors**, **policy**)

mountains/
plain

additional
milk?

quantity/
price?

policy/
market



big/small

organisations

“Gold rush
feeling”

white /
yellow line

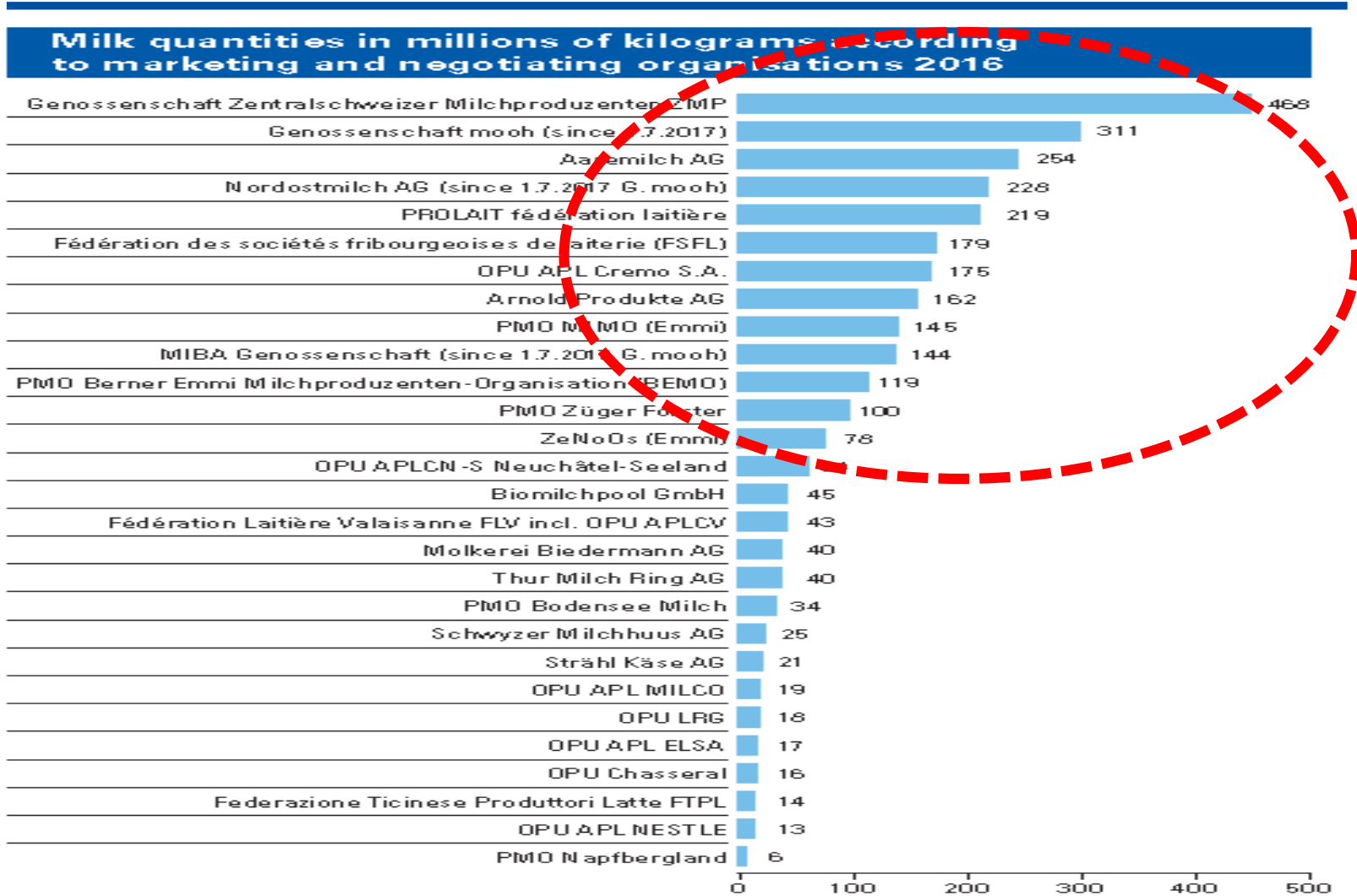


„A cemetery of good ideas“: A roadmap for a very long „milkyway“!

- ◆ **2003:** Policy decision phasing out of milk quota
- ◆ **2004:** Creation of **Milk Interprofession I** → 2008 †
- ◆ **2005:** Formation of **new producer's organisations** for a premature abolishment
- ◆ **2007:** Discussion for a common **strategy**
- ◆ **2008:** National **milkpool** → †
- ◆ **2008:** Creation of **Milk Interprofession II** → †
- ◆ **2009:** Creation of Swiss **Milk Interprofession III**



Market concentration (2016)



Source: Swiss Milk Producers SMP



Interprofession Swiss Milk III, ISM

Founded: 29th June 2009 as a privat platform

Market-issue **tools**:

- ◆ Segmentation-system (A-,B-,C-Milk)
- ◆ Common contracts for A-,B-Milk, 1st and 2nd level
- ◆ Recommended price index for A-,B-,C-Milk
- ◆ Intervention (self-help measures) †
- ◆ Milk-Quality issues (safeguard CH standard)
- ◆ Information, transparency



About 95 % of the „Swiss Milk“ is member to ISM
„Branch platform milk“: „**in the same boat**“

Interprofession Swiss Milk III, ISM (II)

Additional **tools** and remarks:

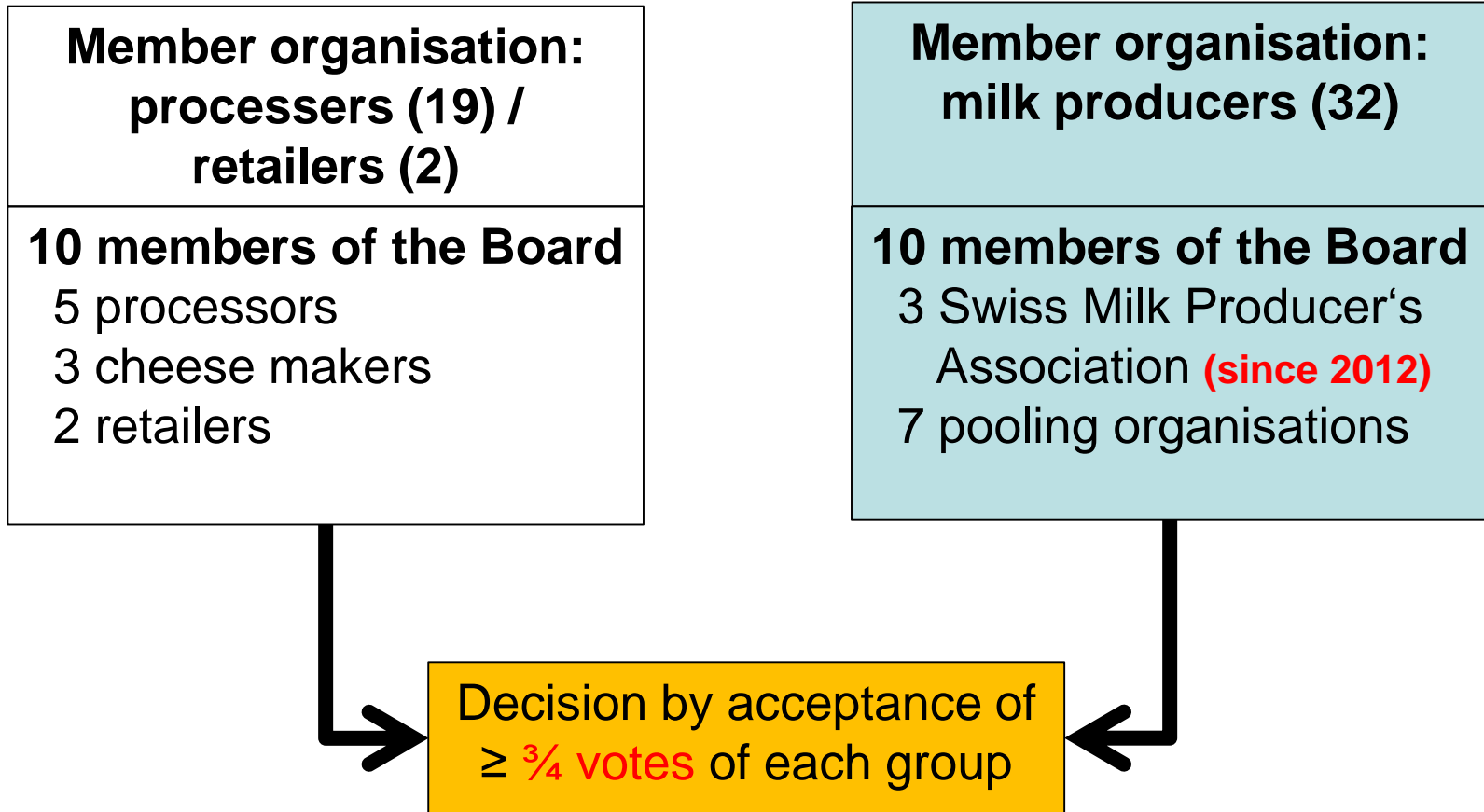
- ◆ Interprofession can ask the government for a declaration of general application of a collective agreement (-> extension of collective agreements) to Non-members fo ISM
- ◆ The tools must be easy and transparent

But no prices and no quantities can be fixed either by the Swiss government or by the extension law!

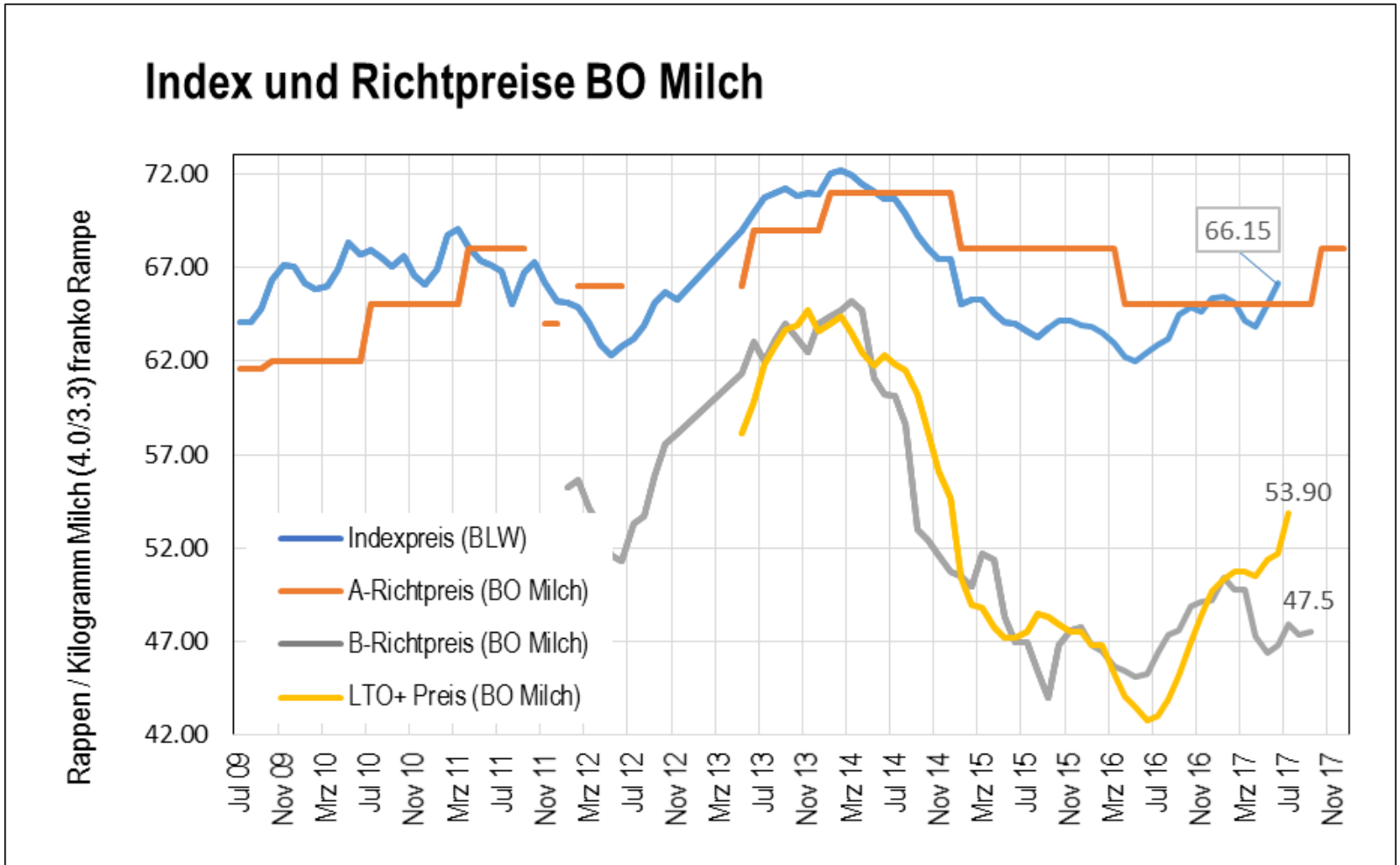


There is no conflict with the anti-trust law in Switzerland

Interprofession Swiss Milk III: How to decide?

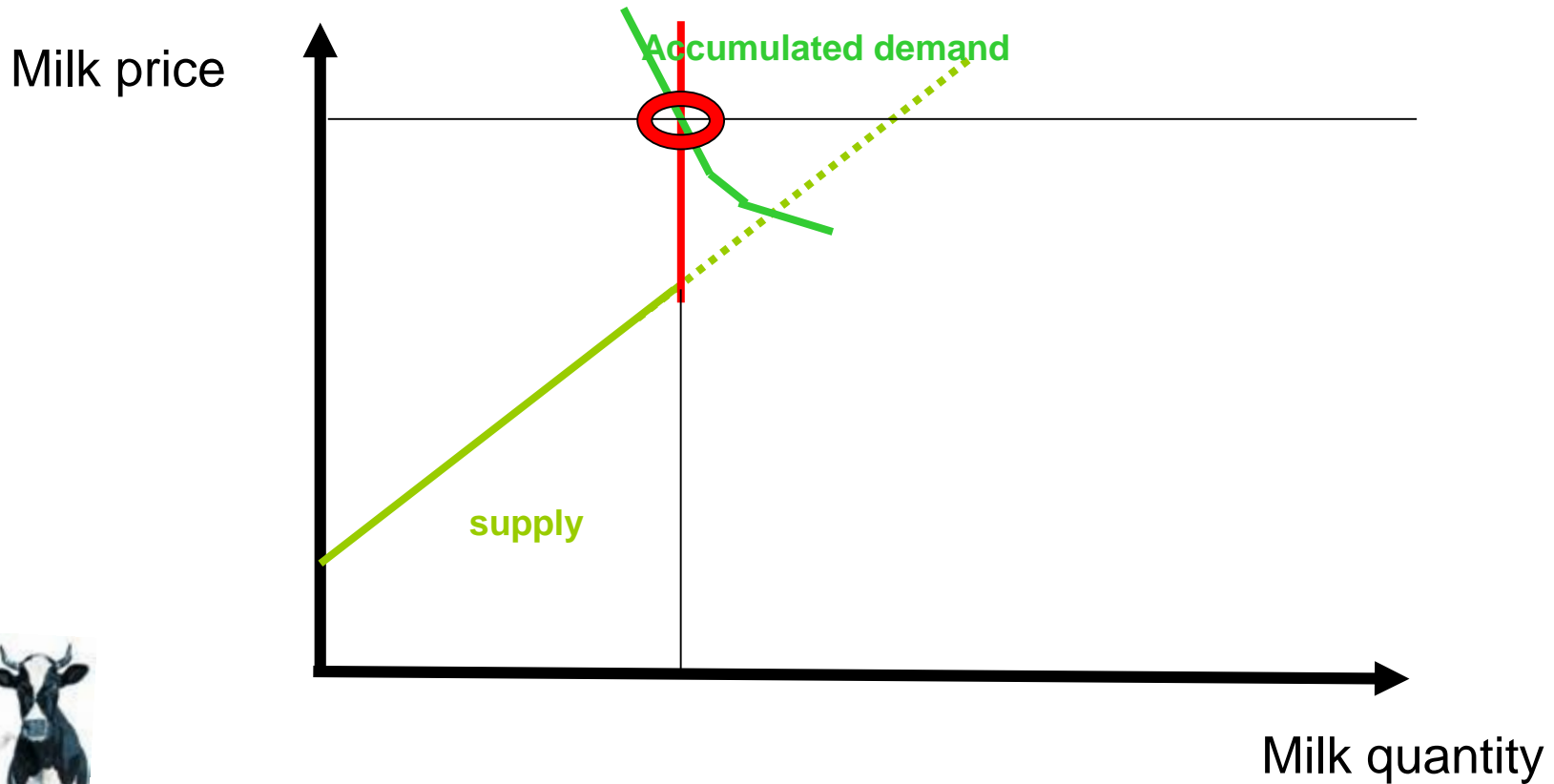


Interprofession Swiss Milk III: Recommended milk price index (A-Milk)



Market:

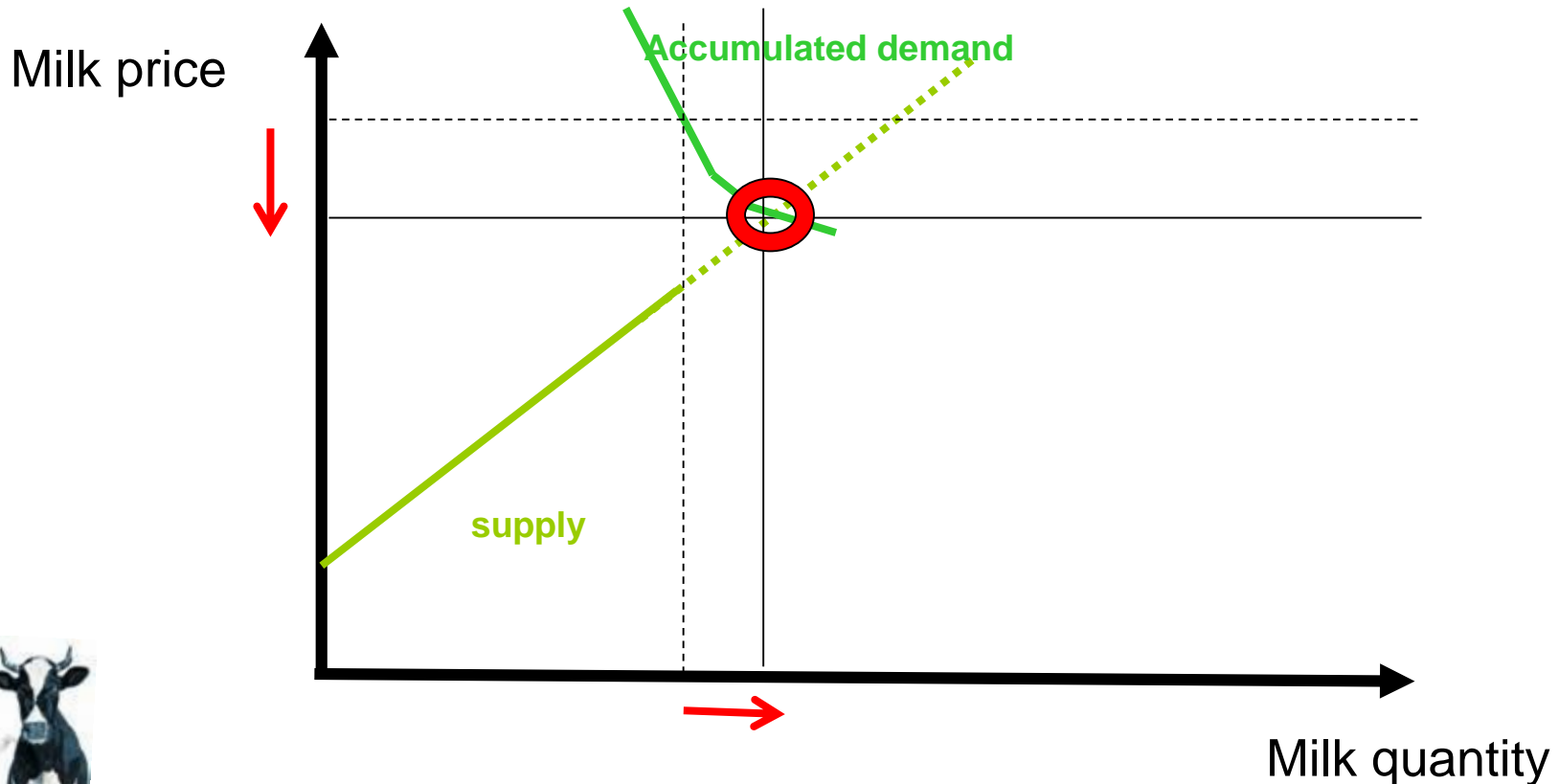
„Homo oeconomicus Lactus Helveticus“ 2005



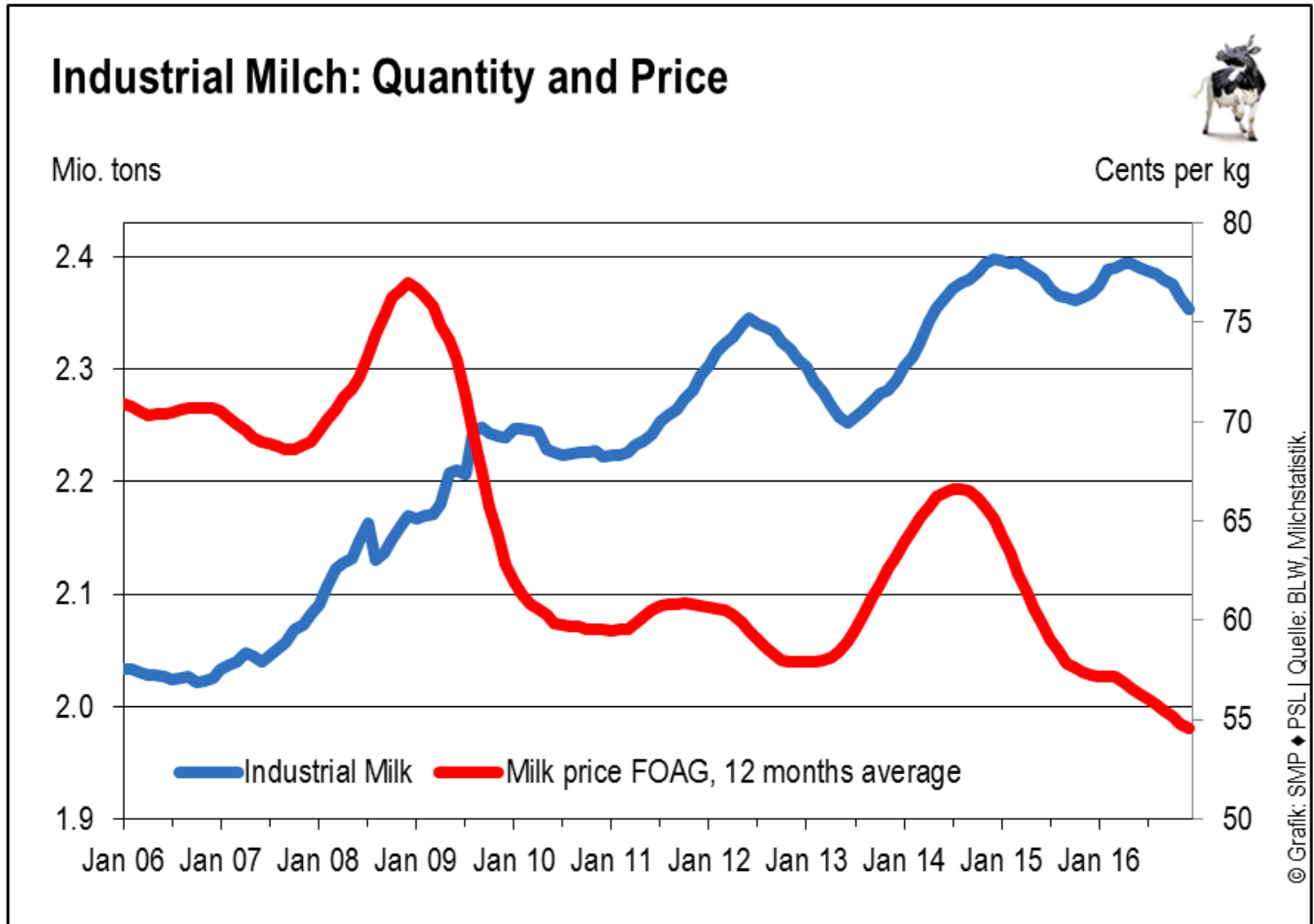
Market:

„Homo oeconomicus Lactus Helveticus“ 2012/13

Abolishment of milk quotas: Market equilibrium ...where is it? [$\eta_{m/p} \gg 1$]



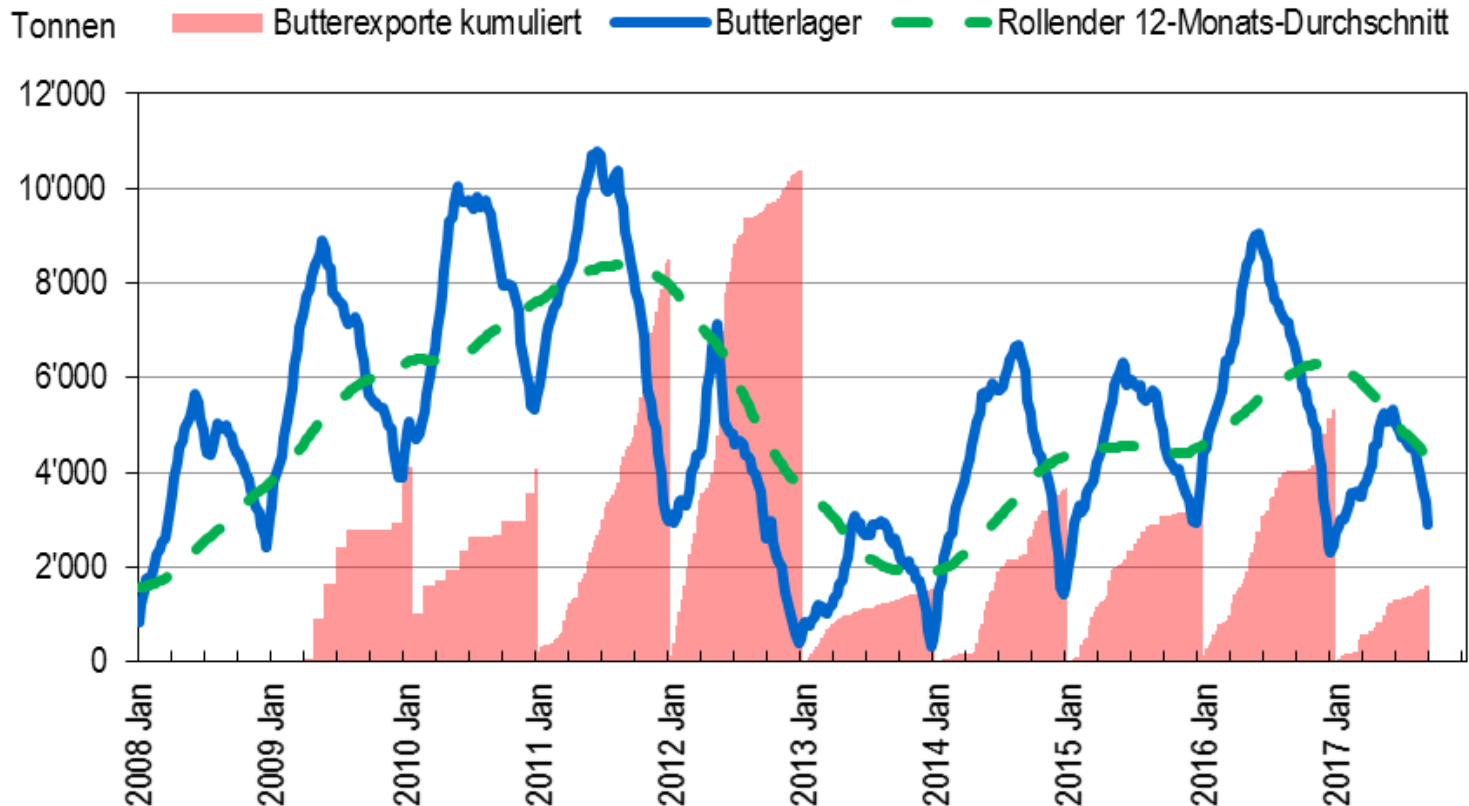
Market: Quantity and Milk Price



Market:

Butter: stock and exports

Entwicklung der Butterlager und Exporte



S M P • P S L

*Schweizer Milchproduzenten
Producteurs Suisses de Lait
Produttori Svizzeri di Latte
Producents Svizzers da Latg*

Conclusions

Swiss Conclusions in general (I)

- ◆ A lot of time to study „new“ solutions is no guarantee for success; it can be the contrary!
- ◆ The phasing out of Milk Quota in different steps – orderd by regulations – was a mistake!
- ◆ „Good market signals“ at the „bad“ moment can have a negativ influence
- ◆ Market focus becomes more imortant to the dairy value chain
- ◆ More volatility is a fact
- ◆ **Education & consulting are important**
- ◆ **A lot of farmers realize the situation, when they have the milk payment on the table**



Conclusions for the Dairy Economy (II)

- ◆ **Partners on the business line have to co-operate for sustainable solutions:**
 - vertical business line becomes more important
 - stability is important for producers, processors and retailers
 - Milk producers are in fact quantity adjuster and price takers
 - Retailers and processors do not „like“ the pressure from the „road“

- ◆ **Milk market without quota requires new structures**

- ◆ **Without solutions between the partners on the value chain the „problems“ come back to the policy**



Thank you very much for your attention – time for discussions?

Swiss Dairy Economy in figures



Edition 2017/18